

HART SCHAFFNER & MARX



Twenty-fifth Annual Report
November 30, 1935

HART SCHAFFNER & MARX

CHICAGO

NEW YORK

New York, January 27, 1936

To the Stockholders
of Hart Schaffner & Marx

On behalf of your Board of Directors there is submitted the financial statement of your company for the fiscal year ending November 30, 1935, together with the report of your auditors, Messrs. Price, Waterhouse & Company

The parent company showed a profit of \$188,109.59, subsidiaries \$85,715.02, a total profit for the year's operations of \$273,824.61, compared to a loss of \$668,259.02 a year ago

Sales increased substantially and expenses have been reduced. The tone of business is healthier and, with an increase in advance orders for the Spring 1936 season so far received, there should be further improvement

The Company is using moderate amounts of borrowed money, due in part to larger inventories. At this date indebtedness for borrowed money is \$300,000

Certain operating reserves provided in prior years in the amount of \$407,037.47 no longer appear to be necessary and have been restored to earned surplus

Last year your attention was called to a reserve for contingencies which had been maintained for many years, and which stood at \$1,500,000 since 1922. In the opinion of the Directors, the need for maintaining this reserve no longer existed and accordingly it has been transferred to earned surplus

At the annual meeting of the stockholders held on January 28, 1935, it was voted to reduce the par value of the common shares from \$100 to \$20, and the item on our balance sheet of good will, trade names and trade marks amounting to \$10,000,000 was written down to the nominal amount of \$1.00. This was done in order to better conform to present day corporate practice

The increase during the year of \$989,908 in Investments in and non-current advances to Subsidiary Companies is due principally to the capitalization of current accounts due from Subsidiary Companies previously carried in current assets. The total investments and advances of \$1,544,721.99 are represented as to \$883,545.73 by net current assets carried by these subsidiaries

MARK W. CRESAP

President

BALANCE SHEET —

Assets

Current Assets

Cash	\$ 423,291.06	
Notes and Accounts Receivable		
less reserves, including amounts		
due from subsidiary companies		
covered by net quick assets	3,733,822.31	
Inventories of materials and finished		
and partly finished merchandise		
on hand and in transit, at cost		
or market, whichever is lower,		
for current season's merchandise		
and estimated realizable values for		
past seasons' merchandise	2,068,247.90	
Sundry accounts including \$22,578.63		
due by employees	<u>67,470.21</u>	\$ 6,292,831.48
Securities and cash in escrow to		
cover payment of real estate taxes	\$ 62,597.10	
Less—Accrued real estate taxes	<u>43,770.59</u>	18,826.51
Advances in connection with purchase		
by employees of Company's		
Capital Stock, less reserve		30,573.70
Investments in and non-current advances		
to subsidiary companies,		
less reserve		
\$883,545.73 is represented by net		
quick assets of subsidiaries		1,544,721.99
Company's Capital Stock held in		
treasury (5,805 shares at par)		116,100.00
Shop Equipment and Fixtures,		
including Office Furniture	\$1,177,078.79	
Less—Depreciation reserve	<u>933,194.40</u>	243,884.39
Deferred Charges:		
Prepaid insurance, taxes, etc.		148,363.92
Good Will, Trade Names and		
Trade Marks		<u>1.00</u>
		<u><u>\$8,395,302.99</u></u>

NOVEMBER 30, 1935

Liabilities

Current Liabilities

Notes payable to banks	\$600,000.00	
Accounts payable	61,216.32	
Liability for goods in transit	68,384.96	
Accrued rents, pay rolls, etc.	235,277.04	
Accrued taxes (other than real estate taxes)	<u>40,543.77</u>	\$1,005,422.09

Capital Stock

Common—Authorized and issued 150,000 shares of \$20.00 each	3,000,000.00
--	--------------

Capital Surplus

per accompanying statement	1,786,212.61
----------------------------	--------------

Unappropriated Earned Surplus

per accompanying statement	<u>2,603,668.29</u>
	<u><u>\$8,395,302.99</u></u>

STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

FOR THE FISCAL YEAR ENDING NOVEMBER 30, 1935

Profit of parent company for the year,

After providing for manufacturing, marketing and administrative expenses, depreciation of equipment and doubtful accounts	\$ 188,109.59
---	---------------

Add—

Net operating profits of subsidiary companies for the year given effect to by adjustment of investments	85,715.02
	<u>\$ 273,824.61</u>

Add:

Reduction of reserves provided in prior years for liquidating losses, bad debts, etc., to esti- mated requirements at November 30, 1935	407,037.47
	<u>680,862.08</u>

Add:

Reserve for contingencies not now required, restored to surplus upon authority of Board of Directors, November 25, 1935	\$1,500,000.00
	<u>\$ 2,180,862.08</u>

Earned surplus at November 30, 1934	422,806.21
-------------------------------------	------------

Unappropriated earned surplus at November 30, 1935	<u><u>\$ 2,603,668.29</u></u>
--	-------------------------------

STATEMENT OF CAPITAL SURPLUS

Capital surplus arising from reduction

Of par value of capital stock from \$100.00 to \$20.00 per share as authorized by stock- holders on January 28, 1935	\$12,000,000.00
--	-----------------

Deduct:

Reduction of carrying value of goodwill to nominal value of \$1.00 per authority of Board of Directors April 9, 1935	\$9,999,999.00
--	----------------

Adjustment of carrying value of 5,805 shares treasury stock to new par value of \$20.00 per share	213,788.39	10,213,787.39
	<u>213,788.39</u>	<u>10,213,787.39</u>

Capital surplus at November 30, 1935	<u><u>\$1,786,212.61</u></u>
--------------------------------------	------------------------------

Report of Accountants

To the Stockholders of
Hart Schaffner & Marx

We have made an examination of the Balance Sheet of Hart Schaffner & Marx as at November 30, 1935, and of the Statement of Profit and Loss and Surplus for the fiscal year ending on that date. In connection therewith, we examined or tested accounting records of the Company and other supporting evidence, and obtained information and explanations from officers and employees of the Company; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions

We have been furnished with the financial statements of the Subsidiary Companies as of November 30, 1935, certified by the officers thereof, supported by particulars of inventories, certificates covering bank balances and detailed lists of receivables, and these statements and other supporting data were subjected to our review or verification. We also attended at the offices of a number of the principal Subsidiaries in order to make a general review for the purpose of substantiating the correctness of the information furnished to us

The accompanying Balance Sheet sets forth the Assets and Liabilities of the Parent Company. The investments in and non-current advances to Subsidiary Companies are stated as such in the Balance Sheet, after deducting therefrom reserves for losses of Subsidiary Companies of prior years adjusted in respect of their net operating profits for the year ending November 30, 1935. The portion of the advances to Subsidiary Companies which is represented by net quick assets is included in the current assets

In our opinion, based upon such examination and review and upon explanations furnished to us, the accompanying Balance Sheet and related Statement of Profit and Loss and Surplus, fairly present, in accordance with accepted principles of accounting consistently maintained by the Company during the year under review, its position at November 30, 1935, and the result of its operations for the year.

PRICE, WATERHOUSE & CO.

Chicago, January 20, 1936

